MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

BAC1624 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

OCTOBER 2020

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **6** pages.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1
PART A

Damia Manufacturer Company is a producer of plastic bottles. The following account balances are for the year ended 31 August.

Description	Amount (RM)
Administrative expenses	82,000
Factory Repair	45,000
Depreciation expense – Manufacturing equipment	50,000
Direct labor	258,000
Manufacturing supplies expense	60,000
Indirect labor	46,000
Beginning inventories, January 1:	
Raw material	24,000
Work in process	10,000
Finished goods	100,000
Ending inventories, December 31	
Raw material	48,000
Work in process	62,000
Direct materials purchases	225,000
Sales	980,000
Selling expense	96,000
Other manufacturing overhead	210,000

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Additional information:
1. 30% of the administrative expenses apply to factory operations.
2. Ending inventory for finished goods is 25% more than the finished goods in opening balance.

Required:

1. Prepare a statement of cost of goods manufactured for Damia Manufacturing Company for the year ended 31 August.
2. Prepare an income statement for the year ended 31 August. (20 marks)

PART B

The following illustrates costs incurred by a manufacturing company in the first year of operations:

RM15,000 direct materials related to the production of a product;

RM65,000 in salaries related to production workers;

RM35,000 total for rental cost and RM6,000 for the company's corporate office;

RM 600 electricity bill related to the company's corporate office;

RM 18,000 in salaries related to the company's accountants.

RM 4,000 in relation to the product campaign.

Of the items above, which are period costs that should be expensed in the period incurred?

(5 marks)
(Total: 25 marks)

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QUESTION 2

PART A

Annabelle Corporation uses the weighted-average method in its process costing system. This month, the beginning inventory in the first processing department consisted of 6,000 units. The costs and percentage completion of these units in beginning inventory were:

Description	Cost (RM)
Material Cost	25,000
Labour Cost	12,000
Manufacturing Overhead cost	10,000

Beginning work in process: 100% complete with respect to materials and 40% complete with respect to conversion costs.

A total of 8,200 units were started and 6,100 units were transferred to the second processing department during the month. The following costs were incurred in the first processing department during the month:

Materials costs ..... RM 45,000
Conversion costs ..... RM 38,000

The ending work in process inventory was 100% complete with respect to materials and 35% complete with respect to conversion costs.

Required:

a) Determine the equivalent units of production for materials and conversion costs. (4.5 marks)
b) Determine the unit costs of production. (4 marks)
c) Show the assignment of costs to unit transferred out and in process. (3.5 marks)

PART B

Jarjit Corporation uses a job-order cost system and applies overhead on the basis of direct labor cost. At the end of August, Jarjit had one job still in process. The job cost sheet for this job contained the following information:

Direct materials ..... RM 520
Direct labor ..... RM 250
Manufacturing overhead applied ..... RM 750

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An additional RM100 of labor was needed in September to complete this job. For this job, how much should Jarjit have transferred to finished goods inventory in September when it was completed. (4 marks)

PART C

Adam Company has established the following selling and distribution activity-cost pools and their corresponding activity drivers for the year 2019:

Activity	Cost (RM)	Cost driver
Marketing	250,000	RM2,250,000 of sales
Customer service	150,000	30,000 customer
Warehousing	18,750	125 product lines

Required:

a. Determine the activity-cost-driver rate for each of the three **(3)** selling and distribution activities. (6 marks)

b. Under what circumstances is it appropriate to use each of the activity-cost drivers. (3 marks)

(Total: 25 marks)

QUESTION 3

PART A

Setia Company produces and sells a single product. The company's income statement for the most recent month is given below:

	RM	RM
Sales (8,000 units at RM50 per unit)		400,000
Less manufacturing costs:		
Direct materials	66,000	
Direct Labor	64,000	
Variable factory overhead	20,000	
Fixed factory overhead	35,000	185,000
Gross margin		215,000
Less selling and other expenses:		
Variable selling and other expenses	50,000	
Fixed selling and other expenses	50,000	100,000
Net operating income		115,000

There are no beginning or ending inventories.

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Required:

a. Compute the company's monthly break-even point in units of product. (6 marks)

b. What would the company's monthly net operating income be if unit sales increased by 25% and there is no change in total fixed expenses. (4 marks)

c. Calculate sales in Ringgit must the company achieve in order to earn a net operating income of RM 50,000 per month. (2 marks)

d. The company has decided to automate a portion of its operations. The change will reduce direct labor costs per unit by 50 percent, but it will double the costs for fixed factory overhead. Compute the new break-even point in units. (5 marks)

PART B

The information below are available to CW Company and JK Company

	CW	JK
Sales Revenue	650,000	810,000
Variable cost	280,000	270,000

Total net income for each company was RM400,000 respectively.

Required:

a) Compute the degree of operating leverage for each company and interpret your result. (4 marks)

b) Explain how operating leverage affects required sales and profitability. (4 marks)

(Total: 25 marks)

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QUESTION 4

The Chacha Company uses standard costing and has established the following direct material and direct labor standards for each unit of the single product it makes:

		Standard (RM)	Actual (RM)
Materials			
Standard	2 feet	3.00	
Actual purchased and used			3.10
Direct Labour			
Standard	1.5 hours	9.00	
Actual	1.4 hours		9.10

During July, the company made 400 units of product. Each unit of product require 1.9 feet of materials.

The manufacturing overhead rate of RM 5 is based on direct labor hours. Variable manufacturing overhead incurred was RM1,000 and Fixed overhead incurred was RM 1,600.

Required:

a) Calculate the following variances for The Chacha Company
- (i) Materials price variance
- (ii) Materials quantity variance
- (iii) Labor price variance
- (iv) Labor quantity variance
- (v) Total overhead variance (20 marks)

b) Briefly explain ANY TWO (2) reasons that could cause the variances in (ii) and (iii). (5 Marks)

(Total: 25 marks)

End of Paper